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Iberian Peninsula

Tomatoes and Products

Annual

2006

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Report Highlights:
Stocks of Iberian Peninsula (IP) tomato paste are at record levels, most accumulated in Spain, because Spanish exports dropped to record low levels in Marketing Year (MY) 2004/05. MY 2005/06 exports appear to have rebounded and and we forecast that 2006/07 exports continue strong, even while Spanish producers cut area planted in response to subsidy reductions resulting from over-quota production in recent years. Planted area could be off by as much as 20 percent Calendar Year (CY) 2006 vs. 2005 as a result of the subsidy reductions. (LR20LT30SH2)

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Until, and even after the European Commission (EC) revises the fruit and vegetable common policy, we expect Iberian processed tomato production to decline, while exports will likely remain strong until the excess stocks have been sold into the world market. Fresh tomato production during CY 2006 will likely decrease in Spain and Portugal, Europe's 2nd and 3rd largest tomato producers, respectively. The reduction will be in response to diminishing subsidies, calculated annually using a three-year moving average that includes a penalty factor for any and all years that producers exceed the national annual production quota. Spanish producers have, until now, been on the front side of this three-year sliding average, which perversely stimulated over-quota production. Now, however, they are feeling the results, as the moving average factors in their over-quota production and decreases the subsidy levels available to them.

The EC appears to target reform implementation for MY 2008, but it is unclear at this moment how the tomato sector will fare within the sector reform discussions. The EC is now in discussions with EU Member State producer organizations on the revision of the fruit and vegetables policy. While the Spanish tomato, tomato products producers may prefer tweaking the current system to their advantage, they appear to be in a vulnerable negotiating position and my ultimately need to adjust to partial subsidy decoupling and the single farm payment that have become so prevalent in the EC's reform packages to this point. Should the reform occur along these lines, it seems likely that Iberian processing tomato production would soon thereafter, and exports somewhat later, rationalize to become profitable under new rules.

Fresh Tomatoes – Spain and Portugal

Production, Supply & Distribution Tables

PSD Table

Country **Spain**

Commodity **Fresh Tomatoes** (HA)(MT)

	2004 (Revised)		2005 (Estimate)		2006 (Forecast)	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2004		01/2005		01/2006	
Plnt For Fresh Consump	32,700	24,937	30,000	25,194	0	23,218
Plnt For Processing	37,200	37,228	37,100	39,662	0	31,348
TOTAL Area Planted	69,900	62,165	67,100	64,856	0	54,566
Harv. For Fresh Cons.	32,700	24,937	30,000	25,194	0	23,218
Harv. For Processing	37,200	37,228	37,100	39,662	0	31,348
TOTAL Area Harvested	69,900	62,165	67,100	64,856	0	54,566
Fresh Sale Production	2,274,800	1,706,800	1,900,000	1,385,600	0	1,500,000
Processing Production	1,902,393	2,167,000	1,850,000	2,611,200	0	2,000,000
TOTAL Production	4,177,193	3,873,800	3,750,000	3,996,800	0	3,500,000
TOTAL SUPPLY	4,177,193	3,873,800	3,750,000	3,996,800	0	3,500,000

PSD Table

Country **Portugal**

Commodity **Fresh Tomatoes** (HA)(MT)

	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01-2004		01-2005		01-2006
Plnt For Fresh Consump	1,550	1,550	1,500	1,500	0	1,490
Plnt For Processing	15,134	15,134	14,878	15,133	0	15,000
TOTAL Area Planted	16,684	16,684	16,378	16,633	0	16,490
Harv. For Fresh Cons.	1,550	1,550	1,500	1,500	0	1,490
Harv. For Processing	15,134	15,134	14,878	15,133	0	15,000
TOTAL Area Harvested	16,684	16,684	16,378	16,633	0	16,490
Fresh Sale Production	98,650	98,650	95,000	95,000	0	94,800
Processing Production	1,171,066	1,171,066	1,050,000	1,202,121	0	1,170,000
TOTAL Production	1,269,716	1,269,716	1,145,000	1,297,121	0	1,264,800
TOTAL SUPPLY	1,269,716	1,269,716	1,145,000	1,297,121	0	1,264,800

Production

Spain

Spanish processing and fresh tomato CY-2006 outputs will come significantly under CY-2005 levels, due to sizeable reductions in seeded areas.

According to the Spanish Ministry of Agriculture (MAPYA), CY-2006 processing tomato areas are 21 percent under CY-2005 levels, due to the effects of the subsidy penalties derived from the overshooting of the national production quota in previous years (see also under Policy). The reduction affects particularly the *Extremadura* and *Andalucia* provinces.

Also according to MAPYA, CY-2006 fresh tomato areas are down 8 percent from CY-2005 levels. This is primarily due to the discouraging effects of low producer prices.

Below please find summary table with Spanish CY-2004 and CY-2005 contracted and delivered tomatoes, and quantities contracted in CY-2006. Final product delivery differs from contracted quantities for a number of reasons. There is tomato processed without subsidy. Note that, under current EU legislation, contracted areas are liable to be adjusted by a maximum of 30% by September, if yields are higher than expected, and the industry is willing to take the extra product.

Spain: Processing Tomato Production, contracted and Delivered

	2004		2005		2006
	Contracted	Delivered	Contracted	Delivered	Contracted
Production	2,356,739	2,038,817	2,256,560	2,792,164	1,803,139

Source: Spanish producers association. Units: Tons

MY 2004/05 and 2005/06 fresh and processing tomato outputs in the PSD are official data. We estimated tomato outputs for MY 2006/07.

Portugal

Portuguese total processing tomato production will also decline in 2006/07. According to official sources, total industry contracts in 2006 have been reduced due to the discouraging effects of the financial penalties associated to the quota overshooting in 2005/06.

Fresh tomato outputs will also be down in CY-2006 from CY-2005 levels, due to the effects of depressed producer prices.

Portugal: Processing Tomato Production, contracted and Delivered

	2004		2005		2006
	Contracted	Delivered	Contracted	Delivered	Contracted
Production	1,261,115	1,171,066 (*)	1,268,904	1,202,121 (**)	1,115,795 (***)

(*) Includes 159,736 MT of tomatoes processed in Spain; (**) Includes 204,100 MT processed in Spain. (***) Includes 106,650 MT contracted to be processed in Spain.

Trade

Spanish and Portuguese fresh tomatoes trade exchanges take place primarily with other EU countries.

In recent years, third country tomato exports into Iberia have been climbing, consisting basically in fresh Moroccan tomatoes, which are shipped under a preferential trade agreement with the EU. In CY 2006, total level of imports of Moroccan tomatoes should peak. The local trade reports that Moroccan tomato exports into the EU in May 2006 more than doubled May 2005 levels. CY-2006 total Moroccan shipments into the EU will eventually be restrained by import quotas set up under the Agreement.

Under the EU preferential trade Agreement with Morocco, Moroccan exporters can ship tomatoes into the EU at a reduced entry price of € 46.1/100 Kg, whereas regular entry price for third country imports is € 112.6/100 Kg. Recently steeping imports from Morocco were reportedly made at € 39.3/100 Kg. This triggered a reaction from the Spanish trade association (FEPEX), which has requested suspension of Moroccan tomato imports by the EU.

Trade Matrices

Import Trade Matrix

Country	Spain		
Commodity	Fresh Tomatoes		
Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Portugal	67,324	Portugal	41,287
Germany	10,932	Netherlands	8,928
Netherlands	7,598	France	3,476
Belgium	3,545	Belgium	2,885
Other EU-25	4,054	Other EU-25	1,756
Morocco	8,594	Morocco	13,840
Total for Others	102,047		72,172
Others not Listed	204		182
Grand Total	102,251		72,354

Export Trade Matrix

Country Spain

Commodity Fresh Tomatoes

Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2004		**2005**
U.S.	2,785	U.S.	506
Others		Others	
Germany	246,867	Germany	198,893
U.K.	208,414	U.K.	183,845
Netherlands	183,358	Netherlands	170,609
France	163,096	France	147,217
Italy	32,351	Italy	38,998
Czech Republic	27,693	Poland	29,841
Poland	26,420	Czech Republic	25,374
Portugal	25,392	Portugal	22,423
Other EU-25	88,334	Other EU-25	83,940
Russia	8,520	Russia	8,261
Total for Others	1,010,445		909,401
Others not Listed	22,746		14,000
Grand Total	1,035,976		923,907

Import Trade Matrix

Country Portugal

Commodity Fresh Tomatoes

Time Period	Jan/Dec	Units:	Metric Tons
Imports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Spain	24,244	Spain	21,595
Germany	3,316	Germany	3,687
Other EU-25	162	Other EU-25	603
Total for Others	27,722		25,885
Others not Listed	0		0
Grand Total	27,722		25,885

Export Trade Matrix

Country	Portugal		
Commodity	Fresh Tomatoes		
Time Period	Jan/Dec	Units:	Metric Tons
Exports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Spain	44,580	Spain	49,880
U.K.	1,296	U.K.	1,736
Other EU-25	4	Other EU-25	124
Total for Others	45,880		51,740
Others not Listed	16		46
Grand Total	45,896		51,786

Source: Global Trade Atlas.

Policy

Iberian fresh tomato production benefits from measures instituted under the EU common fresh fruit and vegetables policy. This policy consists primarily in investment incentives and programs to finance the activity of producer organizations that carry out intervention and marketing activities. The EU is reforming its fruit and vegetables policy during the second semester in 2006 (see under Policy -- Processed tomatoes).

Canned Tomatoes -- Spain

Production, Supply & Distribution Table

PSD Table

Country Spain

Commodity Tomatoes, Canned (MT)(MT, Net Weight)

	2004 (Revised)		2005 (Estimate)		2006 (Forecast)	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	07/2004		07/2005		07/2006	
Deliv. To Processors	237,352	312,605	195,000	356,719	0	300,000
Beginning Stocks	563	563	39,170	68,080	0	122,563
Production	189,607	247,680	162,500	271,483	0	230,000
Imports	4,000	14,726	4,000	3,000	0	3,000
TOTAL SUPPLY	194,170	262,969	205,670	342,563	0	355,563
Exports	65,000	54,889	80,000	70,000	0	80,000
Domestic Consumption	90,000	140,000	110,000	150,000	0	160,000
Ending Stocks	39,170	68,080	15,670	122,563	0	115,563
TOTAL DISTRIBUTION	194,170	262,969	205,670	342,563	0	355,563

Note to PSD Table: MY 2004 and 2005 fresh tomato deliveries and canned tomato outputs were provided by MAPYA. We estimated tomato deliveries and canned tomato outputs for MY 2006. MY 2004 trade is from the Global Trade Atlas. We have estimated trade for the remaining years.

Trade

Trade Matrices

Import Trade Matrix

Country	Spain		
Commodity	Tomatoes, Canned		
Time Period	July/June	Units:	Metric Tons
Imports for:	2003		**2004**
U.S.	0	U.S.	0
Others		Others	
Italy	1,824	Portugal	9,957
Portugal	806	Italy	4,206
Other EU-25	982	Other EU-25	471
Total for Others	3,612		14,634
Others not Listed	19		92
Grand Total	3,631		14,726

Export Trade Matrix

Country	Spain		
Commodity	Tomatoes, Canned		
Time Period	July/June	Units:	Metric Tons
Exports for:	2003		**2004**
U.S.	1,154	U.S.	1,073
Others		Others	
France	21,416	France	18,933
U.K.	8,646	U.K.	13,114
Portugal	4,354	Germany	6,775
Germany	3,726	Portugal	4,935
Italy	3,477	Luxembourg	1,932
Other EU-25	4,153	Netherlands	1,794
Canada	1,569	Other EU-25	3,420
Venezuela	379	Canada	1,058
Saudi Arabia	361	Philippines	430
Philippines	210	Saudi Arabia	261
Total for Others	48,291		52,652
Others not Listed	1,796		1,164
Grand Total	51,241		54,889

Source: Global Trade Atlas. Data is reported in net weight basis.

Tomato Paste, 28-30% TSS B – Spain and Portugal

Production, Supply & Distribution Tables

PSD Table

Country	**Spain**					
Commodity	**Tomato Paste,28-30% TSS Basis**				(MT)(MT, Net Weight)	
	2004 (Revised)		2005 (Estimate)		2006 (Forecast)	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	07/2004		07/2005		07/2006	
Deliv. To Processors	1,746,205	1,746,205	1,600,000	2,239,327	0	1,700,000
Beginning Stocks	16,127	16,127	56,122	80,868	0	157,177
Production	326,995	326,995	300,000	414,309	0	310,000
Imports	13,000	12,396	10,000	12,000	0	12,000
TOTAL SUPPLY	356,122	355,518	366,122	507,177	0	479,177
Exports	160,000	119,650	180,000	180,000	0	200,000
Domestic Consumption	140,000	155,000	145,000	170,000	0	180,000
Ending Stocks	56,122	80,868	41,122	157,177	0	99,177
TOTAL DISTRIBUTION	356,122	355,518	366,122	507,177	0	479,177

PSD Table

Country	**Portugal**					
Commodity	**Tomato Paste,28-30% TSS Basis**				(MT)(MT, Net Weight)	
	2004 (Revised)		2005 (Estimate)		(2006 Forecast)	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	07/2004		07/2005		07/2006	
Deliv. To Processors	988,803	988,803	850,000	981,170	0	950,000
Beginning Stocks	1,174	1,174	22,809	4,836	0	3,620
Production	165,635	165,635	145,000	173,284	0	160,000
Imports	1,000	2,327	600	2,500	0	3,000
TOTAL SUPPLY	167,809	169,136	168,409	180,620	0	166,620
Exports	115,000	124,300	125,000	135,000	0	120,000
Domestic Consumption	30,000	40,000	32,500	42,000	0	44,000
Ending Stocks	22,809	4,836	10,909	3,620	0	2,620
TOTAL DISTRIBUTION	167,809	169,136	168,409	180,620	0	166,620

Production

Iberian MY 2006/07 processed tomato outputs will suffer a significant reduction from 2005/06 levels, due to severe subsidy penalties set by Brussels. Even so, according to local producer sources, subsidy penalties may reach as much as 60% in 2007/08 (see also Policy).

In Spain farmer sources report major area reductions in key tomato Autonomies, by as much as 25% in Andalucia.

In Portugal, processed tomato product outputs will suffer a smaller reduction.

MY 2004 and 2005 fresh tomato deliveries and tomato paste outputs are official data. We have estimated tomato deliveries and tomato paste outputs for MY 2006.

Trade

Intra-EU market destinations for Spanish stocks of processed tomatoes are South Italian re-packers, while outside EU market destinations include Russia, Central and Eastern Europe, and perhaps Southeast Asia and South America. These stocks will be sold for low prices as processors attempt to clear 2005 stocks.

The overlap of stocks has been identified as a problem as processors report price confusion and the risk of fraud in terms of labeling of season.

Trade Matrices

Import Trade Matrix

Country	Spain		
Commodity	Tomato Paste,28-30% TSS Basis		
Time Period	July/June	Units:	Metric Tons
Imports for:	2003		**2004**
U.S.	221	U.S.	0
Others		Others	
Portugal	8,868	Portugal	8,512
Italy	714	Italy	728
Other EU-25	1,017	Other EU-25	643
China	2,233	Israel	2,050
		China	486
Total for Others	12,832		12,419
Others not Listed	984		2
Grand Total	14,037		12,421

Export Trade Matrix

Country	Spain		
Commodity	Tomato Paste,28-30% TSS Basis		
Time Period	July/June	Units:	Metric Tons
Exports for:	2003		**2004**
U.S.	2,688	U.S.	2,077
Others		Others	
Germany	29,228	Germany	28,787
France	26,156	France	27,857
U.K.	23,516	U.K.	18,956
Other EU	32,679	Other EU-25	32,697
Japan	3,246	Japan	2,585
Norway	2,073	Norway	2,474
Total for Others	116,898		113,356
Others not Listed	41,667		4,217
Grand Total	161,253		119,650

Import Trade Matrix

Country	Portugal		
Commodity	Tomato Paste,28-30% TSS Basis		
Time Period	July/June	Units:	Metric Tons
Imports for:	2003		**2004**
U.S.	0	U.S.	0
Others		Others	
Italy	1,001	Italy	1,012
Spain	305	Spain	304
Other EU-25	26	Other EU-25	20
China	251	China	949
Total for Others	1,583		2,285
Others not Listed	52		42
Grand Total	1,635		2,327

Export Trade Matrix

Country	Portugal		
Commodity	Tomato Paste,28-30% TSS Basis		
Time Period	July/June	Units:	Metric Tons
Exports for:	2003		**2004**
U.S.	307	U.S.	49
Others		Others	
U.K.	41,901	U.K.	36,728
Netherlands	17,132	Netherlands	15,282
Germany	9,050	Germany	7,911
France	6,475	Italy	7,375
Italy	4,204	Spain	6,841
Spain	4,146	France	6,723
Other EU	20,184	Other EU	18,623
Japan	8,169	Japan	11,655
Switzerland	2,003	Switzerland	5,403
S. Korea	1,269	S. Korea	1,638
Total for Others	114,533		118,179
Others not Listed	6,384		6,072
Grand Total	121,224		124,300

Source: Global Trade Atlas. Data is reported in net weight basis, 28-30% TSS.

Policy

Processing tomato production is subject to rules and supports laid out under the Common Agricultural Policy (CAP). Under the fruit and vegetables common policy, there are EU-set producer subsidies for outputs within specific EU-set production thresholds. When these thresholds are surpassed, there are subsidy penalties.

Below, please find current EU-set production thresholds for Spain and Portugal, as well as producer subsides in effect during MYs 2004/05 and 2005/06.

EU-Set Production Thresholds For Processing Tomato, Fresh Tomato Basis (Tons)

Country	Product	Production Thresholds
Spain	- Canned whole peeled tomatoes	116,612
	- Other Tomato Products	1,126,994
	- Total processed tomato products	1,238,606
Portugal	- Total processed tomato products	1,050,000
TOTAL EU		**8,251,455**

Note: Production threshold is not divided in Portugal.

EU Subsidies to Processing Tomato Producers (€/MT)

		2004/05	2005/06
Spain	Whole canned Tomatoes	34.50	34.50
	Other Tomato Products	29.36	31.29
Portugal		34.50	34.50

The EU is preparing to revise its processed fruit and vegetables regime during the second half in CY-2006. According to the EU Commission (EC) agenda, the reform will be completed by October 2006.

The EC has just put out a document which it has submitted accredited producer organizations for discussion. Accordingly, key reform options on the table are: (1) to maintain the status quo; (2) to introduce full or partial decoupling; (3) to convert current subsidy regime (paid on an output-base) into an area-related subsidy. Of all options, the most popular is subsidy decoupling.

The new reform will come to effect in MY 2008/09. The Government of Spain (GOS) has defended an anticipation of the reform in order to minimize farmer losses due to subsidy cuts associated to over-production in recent years. However, according to our sources, the EC will be inflexible maintaining its calendar. The industry has some concerns over the Reform, as the introduction of subsidy decoupling will likely create provisioning problems over the medium-term.

Publicly-Funded Horizontal Policy
Spain
Since the drought during the 2004/05 growing season, the Government of Spain (GOS) has invested in irrigation infrastructure in different areas of the country. Irrigation installations have taken place in *Extremadura* and *Andalusia* and may benefit tomato producers in these regions.

Agricultural Associations that provide support, technical assistance and training to producers are subsidized by the GOS. These organizations will likely receive additional funding in the future as a result of the rural development programs of the EC.

The EC subsidizes the promotion of agricultural products, fresh and processed, (processed tomatoes) with EC funds within EU countries (EC 94/2002). Funds are designated to spread information about denomination of origin, ecological production methods, traceabilty, product quality, safety, and nutritional value. Principal instruments that can be used are electronic media, specialized press, consumer organizations, point of sale, written documents and fliers, participation in fairs and expositions. Financing consists of 50 percent by the EC, 20 percent by member states, and 30 percent by the sector.

The EC also subsidizes the promotion of agricultural products, fresh and processed, (fresh and processed tomatoes) in third countries in accordance with EC 2879/2000. This program allows for similar promotional activities and methods in third party countries in addition to market studies and market development.